

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

OAK VALLEY BANCORP

Point of Contact:	RICK MCCARTY	RSSD: (For Bank Holding Companies)	3726440
UST Sequence Number:	205	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	13,500,000	FDIC Certificate Number: (For Depository Institutions)	33457
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	OAKDALE
Date Repaid ¹ :	N/A	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The injection of the CPP Investment allowed Oak Valley Bancorp (OVb) to remain steadfast in its desire to lend, with reduced concern of capital constraints. Limited loan demand has however, led to a decline in the loan portfolio of approximately 6% over the past two years.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The majority of new production came in the form of loans to small businesses, supported by commercial real estate. These loans partially offset normal portfolio paydowns and decreases in the construction portfolio, resulting from paydown, permanent financing and write-downs.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

OVB's investment portfolio has grown by more than \$35 million since the funding of the CPP. The investments included Municipal Securities, with underlying mortgage collateral, and Government Agency MBSs.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

OVB would have remained well capitalized without the CPP infusion, but growth would have been limited. The additional capital allows the bank to look for and act on growth opportunities in the markets we serve, without stress on capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Oak Valley Bancorp has remained profitable, healthy and in a position to continue to meet the credit needs of the communities we serve. The addition of the capital, from the CPP, allows the bank to continue to grow and look for opportunities to expand our services to both current and prospective customers, during a difficult economic period hindered by limited availability of capital resources.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

None to date, yet the bank continues to explore acquisition opportunities. The CPP funds provide the capital strength for such a transaction. The bank is currently opening two new branches, with expected openings in June and August.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.